



All the World's a Stage

But, as Stephen Mayne comments, not for Australian companies or innovators

Amid all the excitement about Australia's booming stockmarket and our world champion economic growth rates, one question stands out: where are our companies kicking goals on the global stage? When it comes to exports, Australia is still far too dependent on the mining and agriculture sectors.

Sure, there are exceptions like shopping centre giant Westfield and sportswear company Billabong. But if you read the business press on a daily basis, one thing remains clear – corporate Australia is dominated by an increasingly powerful service sector oligopoly. And who cares if a domestically-focused retailer like Woolworths or a local financial institution like the Commonwealth Bank is making record profits? All that represents is a transfer of value from other Australians to powerful service providers with a narrow domestic focus.

The surge in corporate tax receipts from \$17 billion to \$40 billion over the past decade isn't due to any great value-adding export surge. It can largely be explained by cartels like the Big Four banks creaming off monopoly rents and then passing on 30% of their government-licensed windfalls to Canberra. After all, every economy has retailers and banks. The real question is whether they should service the rest of the economy, not dominate the corporate scene.

So where is Australia missing out? In what sectors are we to be found missing in action, and why are there so few globally known Australian brands? Well, as the world's biggest island it would be nice to have some sort of shipping company, especially given the amount of agricultural and mining exports that leave our shores. Similarly, a favoured tourism destination like Australia needs to do better than having a dominant incumbent airline such as Qantas and a well-known travel agent like Flight Centre. Where is the globally renowned Australian hotel brand?

It's quite remarkable that Australia is presently enjoying the best terms of trade in 30 years and the worst trade performance since Paul Keating's Banana Republic crisis. For the first time ever, our exports have fallen below 1% of

global trade. Despite the extraordinary boom in China, we just aren't exporting enough relative to our huge ability to suck in debt-funded imports.

Australia's status as a largely branch office economy is best demonstrated by the remarkable statistic that at least 200 foreign companies generate more than \$200 million a year each in revenue out of the Australian market. Contrast this with barely 40 Australian companies which generate more than \$200 million a year offshore – whether by exports or foreign owned operations.

This represents selling the farm at an extraordinary level, but foreign ownership of Australian assets isn't inherently bad when much of the economic rent is extracted by Australian workers and the industry is a solid exporter. The automotive sector is the best example of this, even though it would be nice to have an Australia-owned car company.

But Australia's complete inability to value-add manufactured goods and export them across many sectors is where we really suffer. IT and telecommunications is perhaps the worst offender as Australia hurtles down the road towards a \$10 billion annual trade deficit. The pharmaceuticals industry isn't much better at a time when government spending on healthcare is going through the roof.

While our often government-subsidised sporting stars continue to punch above their weight in global competition, Australian corporates can claim no such success.

Anyone fancy launching the next Google, Sony or Nokia from their suburban garage?



Crème de la Crème

Stephen Mayne rates his ten best Australian corporate performers offshore.

1. News Corporation
2. Westfield
3. Macquarie Bank
4. CSL
5. Cochlear
6. Billabong
7. Lonely Planet
8. Aristocrat
9. Computershare
10. Flight Centre